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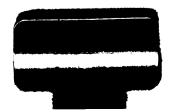
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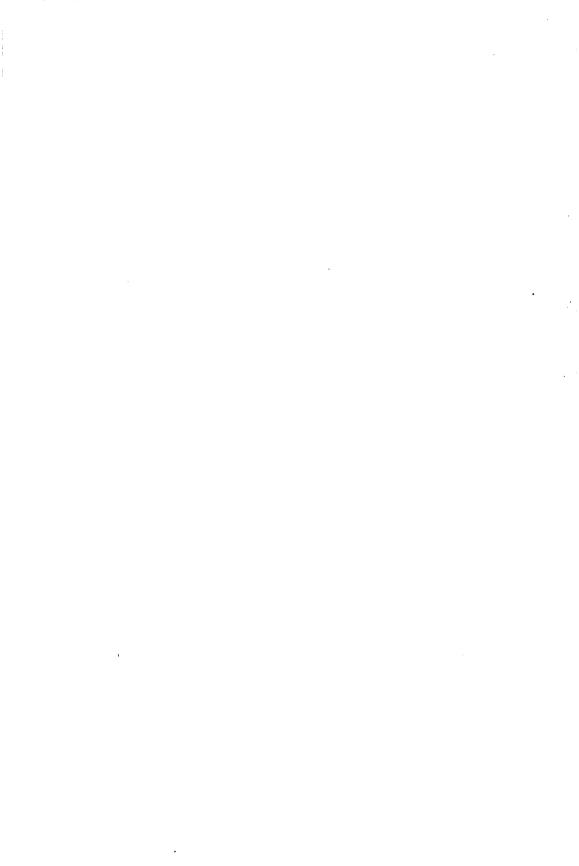






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UNIT II

PRACTICE SET

ACCOUNTING THEORY AND PRACTICE

McGraw-Hill Book & Inc

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UNIT II

PRACTICE SET

ACCOUNTING THEORY AND PRACTICE

BY

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FIRST EDITION

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PREFACE

The purpose of this set is to provide practice material for students of advanced bookkeeping. It is not at all a treatise on the theory of accounting and is intended for use only in connection with class lectures, problems and assigned readings. The set consists of a manual and nine accounting books or forms. The objects of the set may be briefly stated as follows:

- 1. To familiarize the student with the operations of the ordinary books of entry designed in accordance with good modern practice.
- 2. To provide practice in the making and posting of adjusting and closing entries and in the drawing up of financial statements.
- 3. To illustrate the operation of the ledger accounts usually found on the books of trading and manufacturing concerns, both co-partnerships and corporations.
- 4. To provide a basis for the discussion in class of the theory and practice of accounting.

As the set is intended for use by advanced students, an effort has been made to reduce the purely mechanical work as far as is possible without taking away from the practical value of the set. It is assumed that the student is familiar with the fundamental principles of accounting practice, that he has had sufficient training in the making of bills, vouchers, notes, and other business papers, and that he is familiar with methods of figuring trade discounts, interest, bank discounts, etc.

It should be stated that this set is not necessarily intended to illustrate an accounting system for the furniture business. The commodities used were selected simply to provide a proper basis for the transactions involved, and the principles brought out apply generally to all mercantile businesses.

THE AUTHORS.

Boston, Massachusetts, January, 1918.

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ACCOUNTING THEORY AND PRACTICE

PART ONE

William C. Haywood and Richard K. Hoyt, both of Boston, Mass., are partners conducting a wholesale and retail furniture business under the firm name of Haywood and Hoyt. Profits are shared in the proportion of two-thirds to Mr. Haywood and one-third to Mr. Hoyt.

The following trial balance was taken from the General Ledger on September 1, 19—, after the books had been closed:

HAYWOOD AND HOYT

Trial Balance after Closing, September 1, 19-

LAND AND BUILDING (book value)..... \$251,500.00

STORE FIXTURES (book value) OFFICE FURNITURE AND FIXTURES (boo Cash	k value)	16,200.00 3,860.50 5,825.64
ACCOUNTS RECEIVABLE:		,
Wholesale Debtors:		
A. B. Curtis & Co., Boston	\$2,462.90	
Packard Brothers, Boston	1,096.70	
P. F. Carey & Co., Boston	4,769.82	
Atlas Furniture Co., Lynn, Mass.	2,246.17	
Johnson & Carter, Waltham, Mass.	964.73	
B. A. Pratt, Portland, Maine	1,896.40	
Ross Brothers & Co., Albany,		
N. Y	3,642.89	
Little Furniture Co., Providence,		
R. I	2,380.40	
,	\$19,460.01	
Retail Debtors:	ŕ	
James L. Gardner, Boston	\$286.30	
B. M. Stratton, Brookline	170.00	
A. J. Thompson, Malden	89.40	
M. A. Smith, Cambridge	219.55	•
	\$765.25	20,225.26
Notes Receivable		1,220.00

Merchandise on Hand:				
Household Furniture	\$56,182.97			
Office Furniture	38,201.60			
Carpets and Rugs	12,643.28			
Stoves and Ranges	10,201.64			
Draperies		125,417.42		
Interest Accrued on Notes Receivable	e	16.68		
Stationery and Postage on Hand				
Mortgage Payable		2000	60,000.00	
			00,000.00	
Accounts Payable:				
J. S. Morse & Co., Yonkers, N. Y.	\$5,268.51			
Conant Brothers Desk Co.,	,			
Boston	3,846.70			
New Haven Stove Co., New	.,			
Haven, Conn	1,127.00			
Vermont Manufacturing Co.,	-,			
Burlington, Vt	934.86			
Armstrong Carpet Co., Amster-				
dam, N. Y	2,967.94			
Sanford Smith & Co., Yonkers,	_,			
N. Y	4,128.37		18,273.38	
Notes Payable			3,869.80	
Interest Accrued on Mortage Payab			600.00	
Interest Accrued on Notes Payable			34.83	
Taxes Accrued				
William C. Haywood, Capital			2,483.19,526/ 216,575.00	.20
Richard K. Hoyt, Capital			122,698.00	
Taminara II. 11050, Capital				
		\$ 424,534.20 \$	424,534.20	, 5.3

The student will proceed to open accounts in the General Ledger, Sales Ledger, and Purchase Ledger in accordance with the figures given in the trial balance. There are two Accounts Receivable accounts, one for wholesale customers and one for retail customers.

The Land and Building account should be debited for \$300,000 (representing original cost) and credited for \$48,500 (representing amounts which have been written off from time to time to cover depreciation on the building). The Store Fixtures account should be debited for \$14,000 (original cost) and for \$5,200 (cost of new fixtures purchased to date) and credited for \$3,000 (amounts written off for depreciation). The Office Furniture and Fixtures account should be debited for \$5,000 (original cost) and for \$1,000 (new furniture and fixtures acquired to date) and credited for \$2,139.50 (amounts written off for depreciation).

In this, as in all other cases, each ledger entry should be accompanied by a few words of brief but clear explanation indicating the nature or purpose of the entry in question.

ADMITTANCE OF A NEW PARTNER

Mr. Haywood and Mr. Hoyt, having built up a successful business, now desire to gradually retire from active participation in the affairs of the concern; they have, consequently, entered into an agreement with Robert O. Willard of Cambridge, Mass., whereby Mr. Willard is to acquire by purchase a one-half interest in the business for \$200,000. Mr. Willard has turned over to Messrs. Haywood and Hoyt at present market value certificates representing 810 shares of the stock of the Northeastern Manufacturing Company. The market value of the stock is \$85.50 per share, and Mr. Willard pays the balance of the \$200,000 in cash. The agreement provides that the assets and liabilities of Haywood and Hoyt are to be taken over by the new concern at the present book figures, and that the good will of the business is valued at \$60,727.

Make the entries necessary to give effect to the above transactions.

The name of the new concern is to be Haywood, Hoyt and Willard. Profits are to be shared in the proportion of one-third to Mr. Haywood, one-sixth to Mr. Hoyt, and one-half to Mr. Willard. It is agreed that Mr. Willard, who is to act as general manager of the concern, shall be allowed a salary of \$450 per month, this to be considered as a part of the expenses of operating the business. Profits and losses are to be determined and distributed monthly. The duration of the partnership agreement is to be one year, unless sooner set aside by agreement of all the partners.

The concern buys its stock from manufacturers, and sells to retail dealers, hotels, clubs, etc. Sales of this kind are called "Wholesale Sales." It also sells office furniture to business houses, and sells at retail to private individuals. These are known as "Retail Sales."

The organization of the business is as follows; Mr. Willard acts as general manager with the advice and assistance of Mr. Haywood and Mr. Hoyt; Mr. Willard also does the buying, in which part of the work he has two assistants; the sales force consists

of a sales manager, four store salesmen, six traveling salesmen, and four stock clerks. There are the usual office clerks, receiving clerks, shipper and assistants, packers, etc.

BOOKS OF ENTRY

The books to be used for the month of September are Purchase Book, Sales Book, Sales Returns and Allowances Book, Cash Book, Journal, General Ledger, Purchase Ledger and Sales Ledger. The student is not required to write out bills, notes and drafts, checks, credit memorandums, and other business papers, as it is assumed that he has already had sufficient training or experience in this work.

Purchases and Sales are to be departmentized as follows: Household Furniture, Office Furniture, Carpets and Rugs, Stoves and Ranges, Draperies. Sales are to be further subdivided as between wholesale and retail sales.

Entries in the Purchase Book are assumed to be made from invoices received from manufacturers, verified and approved by the proper parties. Entries in the Sales Book are assumed to be made from duplicates of outgoing bills and from duplicate cash sales tickets. Bills are supposed to be rendered daily, being made in duplicate by a billing clerk. The originals are sent out to the customers and the duplicates retained in the office. heads are of two colors for convenience in distinguishing between wholesale and retail sales. The postings to customers' accounts are made from the Sales Book. Cash sales tickets are made in duplicate, the receipted original going to the customer and the duplicate retained in the office. Each day the duplicate cash sales tickets for that day are totaled and an entry made in the Sales Book charging Cash Sales account and crediting the various Sales accounts. Also, at the end of each day, the cashier makes an entry in the Cash Book crediting Cash Sales for the total cash received by him on account of cash sales. At the end of the month, the total of the charges to Cash Sales in the Sales Book should equal the total of the credits to that account in the Cash Book.

Entries in the Sales Returns and Allowances Book are made from approved duplicate credit memorandums, which are of two colors, one for wholesale returns and allowances and one for retail returns and allowances. All of the cash on hand as of September 1 is on deposit in the City National Bank. Both check and currency disbursements are recorded directly in the Cash Book.

The Journal is used for entries that cannot properly be made in any of the other books of original entry, such as adjusting and correcting entries, entries made to record the receipt and giving of notes and drafts, purchase returns and allowances, closing entries, etc.

Controlling accounts are to be kept in the General Ledger with Accounts Receivable and Accounts Pavable, individual accounts being kept in the subsidiary Sales and Purchase Ledgers. are two Accounts Receivable accounts in the General Ledger. "Accounts Receivable—Wholesale" and "Accounts Receivable The Sales Ledger should be kept in two sections in accordance with this classification. A Purchases and two Sales accounts are to be kept for each of the classes into which purchases and sales are divided. Each purchase account is to be debited for the cost of merchandise purchased, and is credited for purchase returns and allowances made by creditors on account of purchases. Each sales account is to be debited for sales returns and allowances made to customers on account of sales, and is credited with gross sales. Detailed operating expense accounts are to be kept in the General Ledger. All interest items, including discounts on notes discounted and prepaid, cash discounts on sales and purchases, etc., are to be charged or credited as the case may be to Interest and Discount account.

TRANSACTIONS FOR THE MONTH

Rented of W. H. Wheeler two stories of a ware-	
house for storage purposes. Paid rent for September	
by check No. 1 (charge Rent of Warehouse)	\$300.00
Cashed check No. 2 at the bank for currency dis-	
bursements and for making change	175.00
Purchased for Cash:	
Stamps (charge Stationery and Postage)	75.00
Ink, pens and pencils (charge Office Supplies Used).	10.75
Furniture polish and dusters (charge Miscellaneous	
Store Expenses)	7.50

Paid Boston Stationery Co. by check No. 3 stationery bill (charge Stationery and Postage) Invoice No. 1 from J. S. Morse and Co., Yonkers, N. Y., has been verified and approved; terms, 2% 10 days, net 30 days—f.o.b. Yonkers.	\$146.27
DISTRIBUTION:	
Household Furniture	\$2,684.90
Office Furniture	1,286.73
Freight prepaid	189.40
Total	\$4,161.03
Invoice No. 2 is from the Taunton Stove Works, Taunton, Mass.—terms, 2% 10 days, net 60 days—f.o.b. Boston:	e 1 906 70
Stoves and Ranges	\$ 1,890.70
September 6	
Paid by check No. 4 our note favor Conant Broth-	
ers Desk Co., with sixty days' interest at 6%:	•• •••
Face of note	\$3,869.80
Interest	38.70
Total	\$3,908.50
Sales:	
Wholesale:	
No. 1—B. A. Pratt—terms, 2% 10 days, net 30 days—f.o.b. Boston:	
Household Furniture	\$2,986.73
Carpets and Rugs	1,507.39
Total	
No. 2—Walker Bros. & Co., Boston—terms, 30	
day note:	
Office Furniture	\$869.73
Retail:	
No. 3—R. E. Foster, Boston—terms, net 30	
days:	F
Household Furniture	\$ 148.90

Discounted a 60 day note at the City National Bank: Face of note	\$10,000.00
Purchases:	
No 3—Conant Brothers Desk Co.—terms, net 30 days:	
Office Furniture	\$ 3,127.82
Draperies	\$2,769.73
Paid freight on this shipment by check No. 5 Paid J. S. Morse & Co. and the Armstrong Carpet Co. the amounts due them September 1. Checks 6 and 7.	\$91.50
September 8	
Sent G. W. Baker & Co. our 60 day note, dated September 2, in settlement of invoice No. 4. Received a check in settlement of Johnson and Carter's note, due today, with three months' interest at 6%:	
Face of Note	\$1,220.00
Interest	18.30
Total	\$1,238.30
Received checks from A. B. Curtis & Co. and Ross Brothers & Co. in settlement of their accounts to September 1.	
SALES: Wholesale:	
No. 4—Johnson & Carter—terms, 2% 10 days, net 30 days:	
Carpets and Rugs	\$1,739.62
Stoves and Ranges	494.87
Draperies	97.30
	\$2,331.79

No. 5—Worcester Furniture Store, Worcester, Mass.—terms, net 30 days—f.o.b. Boston: Household Furniture	\$2,129.60 307.62
•	\$2,437.22
Retail:	
Cash sales for the day:	
Household Furniture	\$269.50
Stoves and Ranges	50.00
Draperies	196.70
	\$516.20
Sent a claim to J. S. Morse & Co. to cover six No. 928 Library Tables received in a damaged condition (Journal Entry)	\$62.50
PAID IN CURRENCY:	
Ice and Water Supply (Miscellaneous Store	
Expenses)	\$ 5.20
Carfares (charge Carfares)	3.40
Paid Salaries and Wages for the week ending Friday, September 7th:	
Assistant buyers (charge Purchasing Depart-	
ment Salaries and Expenses)	\$62.50
Store salesmen (charge Salesmen's Salaries)	210.00
Receiving clerks (Purchasing Department	
Salaries and Expenses)	42.00
Stock clerks (Store Clerks' Salaries) Shipper and packers (Shipping Department	85.00
Salaries and Expenses)	135.00
Office clerks (Office Salaries)	95.00
Total, check No. 8	\$629.50
September 10	
Purchases:	
No. 5—Armstrong Carpet Co., Amsterdam, N. Y.	
—terms, 2% 10 days, net 30 days—f.o.b. Boston:	\$ 3,162.90
Carpets	330.42
Diapenes	\$3,492.32
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Paid freight on this lot of goods, check No. 9 No. 6—Wakefield Manufacturing Company, Boston—terms, 3% 10 days:	\$60.50
Household Furniture	\$1,036 .80
Sales:	
Wholesale:	
No. 6—John K. Allen & Co., Boston—terms, 2%	
10 days—net 60 days:	
Office Furniture	\$1,960 .00
Stoves and Ranges	250.00
•	\$2,210.00
No. 7-Main St. House Furnishing Co., Spring-	
field, Mass.—terms, net 30 days—f.o.b.	
Springfield:	
Household Furniture	\$2,875.00
Office Furniture	307.65
Carpets and Rugs	892.30
Stoves and Ranges	924.00
	\$4,998.95
Paid freight on above, check No. 10	\$130.82
Retail:	
No. 8—B. M. Stratton—terms, net 30 days:	
Office Furniture	\$ 96. 4 0
No. 9—Hart Manufacturing Co., Boston—terms,	
net 30 days:	
Office Furniture	\$284 .60
Cash Sales:	
House Furniture	\$ 1,289.28
Office Furniture	362.40
Draperies	410.00
	\$2,061.68
September 12	
Received bill from B. A. Rolfe:	a co 40
Carting inward	\$ 60.40
Carting outward	124.25
•	\$184 .65
Paid the above, check No. 11.	

Received invoice from M. A. Smith—terms 2% 10 days, for the erection of an electric sign on the roof of the building	\$2,100 .00
PAID IN CURRENCY: Carfares Suppers (Miscellaneous Office Expense) Repairing typewriter (Miscellaneous Office Expense)	\$1.60 \$2.50 \$7.00
•	41.00
Mr. Haywood withdrew \$125, check No. 12. Mr. Willard drew \$150 on account of salary, check No. 13. Paid Holtzer-Cabot Co., for the installation of electric fans in the store—check No. 14 Paid Fort Hill Press for advertising circulars, check No. 15 Received from John K. Allen & Co., a check for \$925 on account of bill of September 10, with the request that we allow them 2% cash discount on as much as it will cover.	\$195.60 \$280.00
September 14	
SALES: Wholesale: No. 10—Keen & Mason, Troy, N. Y.—terms, net 30 days—f.o.b. Troy: Household Furniture	\$2,690.00 1,207.60 931.47 \$4,829.07
No. 11—Cole Furniture Co., Boston—terms, 2%, 10 days, net 30 days: Household Furniture	\$1,150.73 720.25 \$1,870.98

Retail: Cash Sales: Office Furniture	\$ 360.00
September 15	•
Sublet a portion of the warehouse to Howe & French for \$150 per month. Credit Memo. No. 1—The Worcester Furniture Co. have returned 6 Style 24A Dressers Sent check No. 16 to M. A. Smith to cover the net amount due him. We have deducted 2% cash discount from his invoice of September 12, and also the balance due from him on September 1. Drew check No. 17 for the wages and salaries for	\$310.00
the week ending Friday, September 14.	
Mr. Willard has been ambitious to go into the manufacturing business. The partners now decide to make a start in that direction and purchase two hundred shares of the common stock of the Conant Brothers Desk Company, which manufactures all kinds of office furniture. In order to provide funds for the purchase of the stock and for other purposes which the partners have in view Mr. Willard advances \$20,000 to the concern. It is agreed that he shall be allowed interest on the loan at the rate of 5% per annum. Purchased the stock through Curtis & Co., bankers, at 95½, check No. 18. Paid for repairs to plumbing, check No. 19 (charge Repairs to Building)	\$46.20
PAID IN CURRENCY:	
Stamps Telegrams (charge Telephone and Telegrams) Cleaning and sweeping (charge Miscellaneous Store Expenses)	\$15.00 \$1.40 \$7.50
•	⊕1.3U
September 18 Purchases: No. 7—Claflin & Co., Taunton, Mass.—terms, 30 days net—f.o.b. Boston: Stoves and Ranges	\$902.87

No. 8—G. W. Baker & Co.—terms, 60 day note —f.o.b. Rochester, N. Y.: Draperies Paid freight on this lot of goods, check No. 20. SALES:	\$1,210.40 \$48.00
Wholesale:	
No. 12—B. A. Pratt—terms, 2% 10 days, net 30 days—f.o.b. Portland, Me.:	
Household Furniture	\$810.30
Stoves and Ranges	326.75
Draperies	948.00
,	\$2,085.05
Paid freight on this shipment, check No. 21 No. 13—P. F. Carey & Co.—terms, 30 day note:	\$64.80
Household Furniture Office Furniture	\$1,620.50 560.00
	48.90
Draperies	\$2,229.40
Retail: No. 14—E. M. Vinal—net 30 days:	42,220.10
Carpets and Rugs	\$86.20
No. 15—Hart Manufacturing Co.—net 30 days:	
Office Furniture	\$ 369.00
Cash Sales:	
Household Furniture	\$389.30
Carpets and Rugs	1,210.00
Draperies	39.00
	\$1,638.30

Received from P. F. Carey & Co. their 30 day note bearing interest at 6% for the amount of bill of this date. Also their check for \$500 on account of the amount previously due from them.

Received from Keen & Mason check for \$1,500 on account; also a memorandum of the freight paid by them on the shipment of September 14, \$187.25. We have allowed them this amount. (Credit Memo. No. 2.)

Took out additional insurance on merchandise	
stock, policy No. 196,782, Royal Insurance Co., face	
of policy \$50,000, term of policy one year. Pre-	*****
mium, check No. 22. (Charge Insurance on Stock).	\$ 375.00
Received from Johnson & Carter a 30 day note	•
of A. M. Smart, face \$2,000, dated September 10,	
interest at 6%, properly endorsed.	
The Cole Furniture Co. has returned:	
6 Style 39B Ranges	\$ 210.00
3 Vermont Refrigerators No. 4	78.50
Credit Memo. No. 3	\$288.50
Paid the amounts due on invoices Nos. 5 and 6,	•
dated September 10, less cash discounts; checks	
Nos. 23 and 24.	• • •
Paid Conant Brothers Desk Co., \$3,000 on ac-	
count, check No. 25.	•
Paid New Haven Stove Co. the amount due them,	
check No. 26.	
Mr. Hovt withdrew \$200, check No. 27.	
Mr. Hoyt withdrew \$200, check No. 27.	
September 21	
September 21 Purchases:	
September 21 Purchases: No. 9—Conant Bros. Desk Co.—terms, 30 day	
September 21 Purchases: No. 9—Conant Bros. Desk Co.—terms, 30 day note:	\$ 1 860 00
September 21 Purchases: No. 9—Conant Bros. Desk Co.—terms, 30 day note: Office Furniture	\$1,869.00
September 21 PURCHASES: No. 9—Conant Bros. Desk Co.—terms, 30 day note: Office Furniture. No. 10—New Haven Stove Co.—terms, 2% 10	\$1,869.00
PURCHASES: No. 9—Conant Bros. Desk Co.—terms, 30 day note: Office Furniture. No. 10—New Haven Stove Co.—terms, 2% 10 days, net 30 days—f.o.b. New Haven, Conn.	
PURCHASES: No. 9—Conant Bros. Desk Co.—terms, 30 day note: Office Furniture. No. 10—New Haven Stove Co.—terms, 2% 10 days, net 30 days—f.o.b. New Haven, Conn. Stoves and Ranges.	\$924.7 0
PURCHASES: No. 9—Conant Bros. Desk Co.—terms, 30 day note: Office Furniture. No. 10—New Haven Stove Co.—terms, 2% 10 days, net 30 days—f.o.b. New Haven, Conn.	\$924.70 50.60
PURCHASES: No. 9—Conant Bros. Desk Co.—terms, 30 day note: Office Furniture. No. 10—New Haven Stove Co.—terms, 2% 10 days, net 30 days—f.o.b. New Haven, Conn. Stoves and Ranges.	\$924.7 0
PURCHASES: No. 9—Conant Bros. Desk Co.—terms, 30 day note: Office Furniture. No. 10—New Haven Stove Co.—terms, 2% 10 days, net 30 days—f.o.b. New Haven, Conn. Stoves and Ranges.	\$924.70 50.60
PURCHASES: No. 9—Conant Bros. Desk Co.—terms, 30 day note: Office Furniture. No. 10—New Haven Stove Co.—terms, 2% 10 days, net 30 days—f.o.b. New Haven, Conn. Stoves and Ranges. Freight prepaid.	\$924.70 50.60
PURCHASES: No. 9—Conant Bros. Desk Co.—terms, 30 day note: Office Furniture. No. 10—New Haven Stove Co.—terms, 2% 10 days, net 30 days—f.o.b. New Haven, Conn. Stoves and Ranges. Freight prepaid. SALES:	\$924.70 50.60
PURCHASES: No. 9—Conant Bros. Desk Co.—terms, 30 day note: Office Furniture. No. 10—New Haven Stove Co.—terms, 2% 10 days, net 30 days—f.o.b. New Haven, Conn. Stoves and Ranges. Freight prepaid. SALES: Wholesale:	\$924.70 50.60
Purchases: No. 9—Conant Bros. Desk Co.—terms, 30 day note: Office Furniture. No. 10—New Haven Stove Co.—terms, 2% 10 days, net 30 days—f.o.b. New Haven, Conn. Stoves and Ranges. Freight prepaid. Sales: Wholesale: No. 16—John K. Allen & Co.—terms, 2% 10	\$924.70 50.60 \$975.30 \$873.85
PURCHASES: No. 9—Conant Bros. Desk Co.—terms, 30 day note: Office Furniture. No. 10—New Haven Stove Co.—terms, 2% 10 days, net 30 days—f.o.b. New Haven, Conn. Stoves and Ranges. Freight prepaid. SALES: Wholesale: No. 16—John K. Allen & Co.—terms, 2% 10 days, net 30 days:	\$924.70 50.60 \$975.30
PURCHASES: No. 9—Conant Bros. Desk Co.—terms, 30 day note: Office Furniture. No. 10—New Haven Stove Co.—terms, 2% 10 days, net 30 days—f.o.b. New Haven, Conn. Stoves and Ranges. Freight prepaid. SALES: Wholesale: No. 16—John K. Allen & Co.—terms, 2% 10 days, net 30 days: Office Furniture.	\$924.70 50.60 \$975.30 \$873.85
PURCHASES: No. 9—Conant Bros. Desk Co.—terms, 30 day note: Office Furniture. No. 10—New Haven Stove Co.—terms, 2% 10 days, net 30 days—f.o.b. New Haven, Conn. Stoves and Ranges. Freight prepaid. SALES: Wholesale: No. 16—John K. Allen & Co.—terms, 2% 10 days, net 30 days: Office Furniture. Carpets and Rugs.	\$924.70 50.60 \$975.30 \$873.85 169.82
PURCHASES: No. 9—Conant Bros. Desk Co.—terms, 30 day note: Office Furniture. No. 10—New Haven Stove Co.—terms, 2% 10 days, net 30 days—f.o.b. New Haven, Conn. Stoves and Ranges. Freight prepaid. SALES: Wholesale: No. 16—John K. Allen & Co.—terms, 2% 10 days, net 30 days: Office Furniture. Carpets and Rugs. Stoves and Ranges.	\$924.70 50.60 \$975.30 \$873.85 169.82 536.70

No. 17—M. J. Lacey Company, Brookline, Mass.—terms, 60 day note:	
Household Furniture	\$2,800.00
Carpets and Rugs	1,980.00
	\$4,780.00
Retail:	
No. 18—B. M. Appleton, Boston, 30 days net:	
Household Furniture	\$1,164.50
Cash Sales:	•
Household Furniture	\$308.00
Office Furniture	1,250.00
	\$1,558.00
Received from M. J. Lacey Co. a 60 day note with	
interest at 6% for the amount of bill of this date.	
G. W. Baker & Co. have drawn on us at 15 days'	
sight, through the North National Bank for the	
amount of their invoice of September 18. We have	
accepted the draft.	
Gave Conant Bros. Desk Co. our 30 day note for	-
the amount of their invoice of this date.	
Drew check No. 28 for currency disbursements	\$200.00
Paid bill received from B. A. Rolfe, check No. 29:	
Carting inward	\$ 66.00
Carting outward	97.85
·	\$163.85
Mr. Haywood withdrew, check No. 30	\$150.00
September 22	
Allowed B. M. Appleton for furniture deliv-	
ered to him slightly damaged (Credit Memo. No. 4).	\$75.00
Paid wages and salaries for week ending Friday,	
September 21, check No. 31.	
Paid salesmen's traveling expenses, check No.	
32 (charge Salesmen's Traveling Expenses)	\$ 38 4 .33
PAID IN CURRENCY:	
Carfares	\$2.60
Telegrams	4.00
Charity (charge Donations to Charity)	25.00
Cleaning and sweeping	9.00
	\$40.60

Paid Jordan Advertising Agency, newspaper advertising for September, check No. 33	\$845.00 \$180.00
Purchases: No. 11—J. S. Morse & Co.—terms, net 30 days—f.o.b. Boston: Household Furniture Paid freight on this lot of goods, check No. 35 No. 12—Faber Manufacturing Co., Boston, Mass.—terms, 2%, 10 days, net 60 days:	\$873.40 \$75.50
Household Furniture Office Furniture	\$2,396.50 900.00
	\$3,296.50
No. 13—Taunton Stove Works, terms, 2 months note with interest at 6%—f.o.b. Boston: Stoves and Ranges Issued our note to the Taunton Stove Works in settlement of Invoice No. 13. Received from Little Furniture Co., a draft at 10 days' sight, on A. B. Barker & Co., Boston, for \$1,200. The draft was accepted upon presentation.	\$1,594.00
September 25	
SALES: Wholesale: No. 19—M. J. Lacey Co.—terms, 2% 10 days, net 30 days:	;
Office Furniture	\$1,892.60 758.50 300.00
	\$2,951.10
No. 20—Cole Furniture Co.—terms, 2% 10 days, net 30 days:	
Stoves and Ranges	\$309.00
Draperies	562 .00
•	\$871.00

No. 21—Worcester Furniture Co.—terms, 60 day		
note with interest—f.o.b. Boston:		
Household Furniture	\$2,738.50	
Freight prepaid, check No. 36	134.00	
· .	\$2,872.50	
Retail:		
Cash Sales:		
Household Furniture	\$730.00	
Office Furniture	562.50	
Carpets and Rugs	237.35	
Draperies	48.10	
•	\$1,577.95	
Discounted at the City National Bank M. J. Lacey Co.'s note of September 21. Discount for the unexpired time charged at 6%. Mr. Haywood withdrew \$265, check No. 37.		
September 26		
Received checks from the following:		
Atlas Furniture Co., on account	\$500.00	
James L. Gardner, in full	\$286.30	
B. M. Stratton, in full to September 1B. A. Pratt, bill of September 18, less cash discount.	\$170.00	
Received from R. C. Carter, bill for repairing		
roof of building	\$ 164.00	
By agreement with Keen & Mason we have drawn on them at 15 days' sight for the amount of their indebtedness to us in favor of Sanford, Smith & Co. Hart Manufacturing Co. has returned two office desks, style 21 (Credit Memo. No. 5)	\$72.50	
September 27		
Discounted at 6% our 30 days' note for \$4,000 at the City National Bank. Paid Mr. Willard the expenses of a buying trip to New York, check No. 38 (Purchasing Department	·	
partment Expenses)	\$ 156.75	
No. 39	\$125.00	

Purchased through Curtis & Co. 10 first mortgage bonds of the Standard Leather Company at 106, including brokerage and accrued interest. The bonds are dated January 1, 1907, and are due January 1, 1927; interest at the rate of 5% payable January 1 July 1. Check No. 40.

The Worcester Furniture Company claims an allowance of \$200 for household furniture damaged when received. Their claim is allowed (Credit Memo. No. 6).

The Cole Furniture Co. returns:

1 Pair Velvet Draperies	\$ 30.00
4 Atlas No. 7 Kitchen Ranges	137.50
Credit Memo. No. 7	\$167.50

Packard Brothers have failed. Received a check for \$658.02 representing a final payment of sixty cents on the dollar of the amount due us as of September 1.

Received from the Worcester Furniture Co. a 60 day note with interest at 6%, dated September 25, for the amount due on our bill of that date.

Endorsed to the Faber Manufacturing Co. the note of September 18 received from P. F. Carey & Co. We are to be allowed 2% discount on as much as the face of the note plus accrued interest will cover.

September 29

CASH SALES TO DATE:

Household Furniture	\$ 162.50
Office Furniture	385.00
Carpets and Rugs	87.75
Draperies	
	\$870.85

Received a check representing a regular quarterly dividend of $1\frac{1}{2}\%$ on the common stock of the Conant Brothers Desk Company.

Received a bill from A. J. Thompson for carting outward. This is to be credited on account of the amount due from him.

M. J. Lacey Co. has settled our bill of September 25

by turning over to us, properly endorsed, the note which we issued to the Conant Bros. Desk Co. on September 21 and a check for the balance of the bill. We charge discount on the note at 6% for the unexpired time and allow 2% cash discount on the amount of the bill. Paid New Haven Stove Co.'s bill of September 21, less 2% cash discount, check No. 41. Paid R. C. Carter's invoice of September 26, check No. 42.	
Paid Salesmen's traveling expenses, check No.	
43	\$ 369.72
Paid traveling salesmen's and sales manager's	
salaries for the month, check No. 44	\$1,520.00
Paid J. M. Burke, sales manager, expenses of	
entertaining customers, check No. 45 (charge Sales	604 5 0
Department—Entertainment Expense)	\$ 34.50
Paid wages and salaries for the week ending Friday,	
September 28, check No. 46.	
Returned to J. S. Morse & Co., Household Fur-	# 0.00 7 0
niture	\$ 360.70
PAID B. A. ROLFE, CHECK No. 47:	
Carting inward	
Carting outward	
Carting on goods returned to J. S. Morse & Co.	. 15.60
	\$ 213.35
Paid in Currency:	
Carfares	. \$3.45
Stamps	. 15.00
Mailing circulars	

The bookkeeper will proceed to rule up the books of entry, post to the General, Sales, and Purchase Ledgers, and take a trial balance of the General Ledger.

Cleaning and sweeping.....

 $\frac{9.00}{\$41.95}$

Heretofore the concern has followed no definite plan of providing for the depreciation of its fixed assets. Irregular charges have been made to Profit and Loss with corresponding credits to the proper asset accounts at the discretion of the partners. At

the suggestion of Mr. Willard it is decided to adopt a more upto-date method; to set up depreciation reserve accounts; and to spread the depreciation charges equitably over the lives of fixed assets owned. In order to do this certain information is necessary, as follows:

Land and Building.—Cost of land, \$165,000; cost of building, \$137,058; depreciation of building written off to September 1, \$48,500; estimated life of building, 20 years from September 1.

Store Fixtures.—Original cost, \$14,000; additional fixtures purchased, \$3,195.60; purchased to replace discarded fixtures, \$2,200; written off for depreciation to September 1, \$3,000; estimated life, 8 years from September 1.

Office Furniture and Fixtures.—As it is impossible to determine what part of the office furniture purchased was to replace old articles discarded and what part represents additional furniture, an inventory of the office fixtures now on hand is taken and appraised at \$3,400. Estimated life, 6 years from September 1.

The bookkeeper will adjust the Land and Building account and the Store Fixtures account so that their balances will represent as far as is possible the cost of the corresponding assets now on hand. The Office Furniture and Fixtures account is to be adjusted so that its balance will represent the appraised value of the office fixtures now on hand.

It is also decided to do away with the Interest and Discount account and substitute therefor detailed accounts which will show the various sources of interest and discount income and expense. In analyzing an account which has little statistical value, such as the old fashioned Merchandise and Expense accounts or the Interest and Discount account operated in September, a sheet of analysis paper should be used, one column being provided for each of the accounts into which the account to be analyzed is to be divided. A three line ruling should separate the debits from the credits. The account should then be analyzed in detail, each posting thereto being placed in the proper debit or credit column. Each column is footed and a journal entry is made debiting each account on the debit side of the three line ruling and crediting each account on the credit side for the amount of its footing. If the sum of the debits exceeds the sum of the credits, the account to be analyzed is credited for the difference; if the credits exceed the debits, the account to be analyzed is debited for the difference. When this entry is posted accounts will appear in the ledger with each subdivision into which the old account is divided and the old account itself will be in balance and should be footed and ruled accordingly.

In analyzing the Interest and Discount account the following accounts are to be used: Interest on Notes Payable, Interest on Notes Receivable, Cash Discounts on Sales, Cash Discounts on Purchases, and Discount on Notes Payable Prepaid.

CLOSING THE BOOKS

The bookkeeper will now make and post the adjusting entries necessary to reveal the results of the operations of the business and its true financial condition, as follows:

- 1. Stationery and postage on hand, as per inventory, cost \$349.50. Adjust the balance of the Stationery and Postage on Hand account accordingly.
 - 2. Office supplies on hand, \$5.60.
- 3. Taxes have been accruing since April 1. The taxes for the year ending April 1 next are estimated on real estate, \$3,500; on stock, \$2,459.65.
- 4. Through oversight on the part of the bookkeeper the insurance prepaid as of August 31 was not brought on to the books when they were last closed. On that date there was insurance prepaid on the building, \$750, having six months to run; and insurance prepaid on stock, \$625, having ten months to run. It is agreed that the insurance prepaid as of August 31 shall be credited in the proper proportion to the capital accounts of Mr. Haywood and Mr. Hoyt. The insurance policy taken out on September 19 runs one year from that date.
 - 5. Advertising circulars on hand, \$95.
- 6. Bring on to the books the rent accrued on that portion of the warehouse rented to Howe & French (credit Rent of Warehouse).
- 7. Accrue salaries and wages from the date on which they were last paid (September 30 falls on Sunday).
- 8. We learn upon inquiry over the telephone that the bill for lighting for September amounts to \$265.30, and that the telephone bill is \$15.60 (charge lighting to Heating and Lighting account and credit both items to Expenses Accrued).
- 9. It is decided to provide a reserve for losses on bad accounts and notes receivable amounting to $1\frac{1}{2}\%$ of the net charge sales for the month. The loss due to the failure of Packard Brosshould be transferred to the reserve account.

- 10. Allow Mr. Willard his salary for September (charge Salary of General Manager).
- 11. Adjust the Interest Accrued on Notes Receivable account so that its balance will represent the interest accrued on interest bearing notes receivable on hand as of September 29.
- 12. Adjust the Interest Accrued on Notes Payable account so that it will show by its balance the interest accrued on interest bearing notes payable.
- 13. The \$60,000 mortgage on the land and building bears interest at the rate of 6% per annum, payable January 1 and July 1.
- 14. Bring onto the books the interest prepaid on notes payable discounted.
 - 15. Accrue the interest on Mr. Willard's loan of September 17.
- 16. Bring onto the books the interest accrued on the bonds of the Vermont Manufacturing Company.

The freight, express and carting inward for the month is to be distributed among the various classes of purchases in proportion to the volume of gross purchases made.

The inventory of merchandise on hand September 29, including the proper proportion of freight, express and carting inward, is as follows:

Household furniture	\$46,293 .60
Office furniture	39,168.75
Carpets and Rugs	9,951.76
Stoves and Ranges	11,696.32
Draperies	
	\$117,218.23

After posting the adjusting entries the bookkeeper will take a trial balance of the General Ledger as adjusted and draw up the following statements:

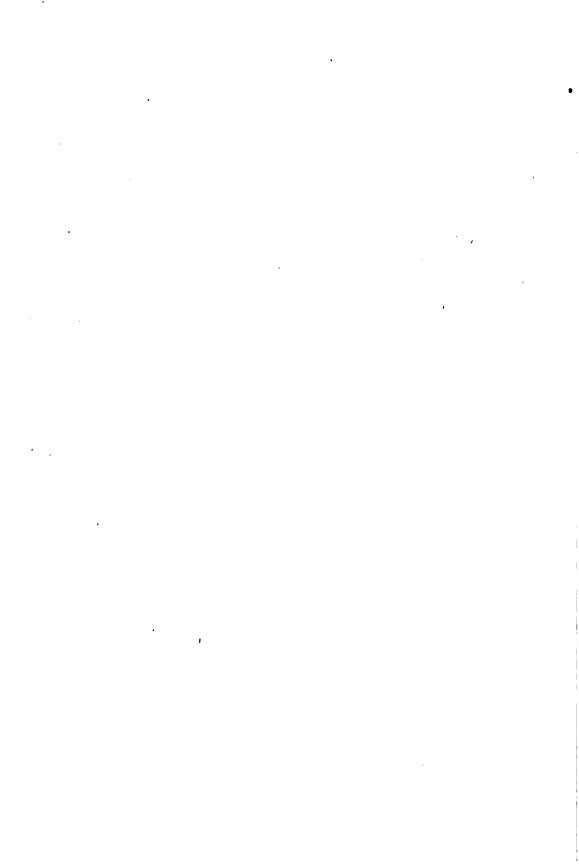
Profit and loss statement for the month ending September 29. Show sales made and cost of sales by commodities and divide sales as between wholesale and retail sales.

Balance sheet as of September 29.

List of amounts due from creditors as per the Sales Ledger, classified as between wholesale and retail customers.

List of amounts due to trade creditors as per the Purchase Ledger.

Make and post the entries necessary to close the books as of September 29.



PART TWO

CHANGING FROM A PARTNERSHIP TO A CORPORATION

At the time Mr. Willard came into the business it was with the understanding that eventually the concern would incorporate and go into manufacturing. Accordingly, an agreement of association has been drawn up and signed by Mr. Haywood, Mr. Hoyt, and Mr. Willard, as incorporators. At the first meeting of the stockholders, followed by a meeting of the board of directors, the by-laws are adopted; Mr. Haywood is elected president at a salary of \$200 a month; Mr. Willard is elected vice-president at a salary of \$600 a month; Mr. Hoyt is elected secretary, or clerk, and treasurer at a salary of \$200 a month. These three men together with James O. Dudley and Edward C. Foss, capitalists, whom Mr. Willard has interested in the business, make up the board of directors. The duties of Mr. Haywood and Mr. Hoyt are more or less nominal, the active management of the business being left to Mr. Willard and an assistant treasurer under the direction of the board of directors.

The articles of organization are drawn up, signed by the members of the board of directors, and submitted to the state authorities together with the required fee. On October 1 the certificate of incorporation is received from the Secretary of the Commonwealth.

The name of the new corporation is the Haywood Furniture Company. The authorized capital is \$1,500,000, made up of 7,500 shares of common stock, par value \$100 each, and 7,500 shares of preferred stock, par value \$100 each.

On October 1 a contract is entered into between the firm of Haywood, Hoyt and Willard and the Haywood Manufacturing Company whereby the corporation acquires the good will and all of the assets of the partnership except cash on hand. The assets are to be taken over at the book figures as of September 29, except the accounts and notes receivable, it being agreed that a further sum of \$1,500 shall be reserved for losses on bad accounts and notes receivable. The corporation is to assume all of the liabilities of the partnership and in settlement for the net assets

acquired issues to the vendors capital stock to the amount of \$450,000, comprised of 3,000 shares of common stock and 1,500 shares of preferred stock.

It is agreed among the partners that the capital stock received from the Haywood Manuacturing Company shall be divided as follows:

Mr. Haywood, 500 shares of common and 900 shares of preferred.

Mr. Hoyt, 500 shares of common and 350 shares of preferred. Mr. Willard, 2,000 shares of common and 250 shares of preferred.

The partnership is dissolved by consent of all the partners. It is decided to discard the books of the partnership and substitute a new set of books conducted along somewhat different lines.

The bookkeeper will make and post, on the books of the partnership, the entries necessary to close the books and to show the distribution of capital stock and cash to the partners; and, on the books of the corporation, the entries necessary to record the transactions stated above. In bringing the assets acquired and the liabilities assumed onto the books of the corporation open separate accounts for the cost of land and the cost of the building; combine Accounts Receivable—Wholesale and Accounts Receivable—Retail, opening one Accounts Receivable account; credit salaries and wages accrued to Payroll account; charge the merchandise on hand to an account called Trading Goods Inventory. This account is operated as follows:

TRADING GOODS INVENTORY

Debit:

1. With the cost of merchandise on hand on beginning business.

- 2. From the Voucher Register at the end of the month with the gross purchases of trading merchandise for the month.
- 3. From the Sales Returns and Allowances Journal—at the end of the month with the cost of trading merchandise returned by customers.

Credit:

- 1. From the Journal—with purchase returns and allowances on account of trading merchandise.
- 2. From the Sales and Cost of Sales Journal—at the end of the month with the cost of trading merchandise sold during the month.

At the end of the month the balance of this account will represent the cost of trading merchandise on hand.

BOOKS OF ENTRY

The books to be used in Part Two consist of the Voucher Register, Sales and Cost of Sales Journal, Sales Returns and Allowances Journal, Cash Receipts Book, Check Register, General Journal, General Ledger and Expense Ledger.

The Voucher Register is a record of all purchases and expenses. Entries therein are made from vouchers made up in the office and approved for payment by the assistant treasurer. Purchases of merchandise are entered at invoice cost plus freight or express inward. No accounts are kept with individual trade creditors.

Sales are classified as between manufactured goods and trading goods. Entries in the Sales and Cost of Sales Journal are made from duplicates of the outgoing bills, which are rendered daily, and from the duplicate cash sales tickets. The cost of each lot of goods sold is entered on the duplicate bill or cash sales ticket by the stock clerk who has charge of a going inventory which is adopted at the suggestion of Mr. Willard.

The student is not required to write up the entries in the going inventory as the method of operating it is simple and easily understood by any one familiar with the principles of bookkeeping. The inventory cards, of which there is one for each commodity handled, are filed in seven sections, one section for each class of commodity handled, including Household Furniture, Office Furniture, Carpets and Rugs, Stoves and Ranges. Draperies, Manufactured Goods, and Manufacturing Materials. The cards in each section are filed alphabetically according to commodities. Each card is divided into four sections: (1) for goods ordered, (2) for goods received, (3) for goods sold or issued to the factory, and (4) for the balance; i.e., the quantity and cost of goods on hand. Entries in the "Ordered" section are made from copies of purchase orders received from the purchasing department. The cost of goods received is entered in the "Received" section from the goods received sheets made out in the receiving department and sent to the purchasing department for comparison with the corresponding invoices. The cost of each lot of goods purchased is entered on the goods received sheet in the purchasing department. Cost includes invoice cost plus the proper charge for freight or express.

Entries in the "Sold" or "Issued" section of the inventory cards are made from the duplicate bills or cash sales tickets in the case of goods sold, and from requisitions received from the factory superintendent in the case of materials issued to the factory. At the time of making these entries the inventory clerk records the cost of the goods sold or issued on the duplicate bill, cash sales ticket or factory requisition, as the case may be. The duplicate bills and cash sales tickets are then sent to the office for entry in the Sales and Cost of Sales Journal.

The sections of the going inventory given to trading merchandise are controlled by the Trading Merchandise Inventory account in the General Ledger. The cost of trading goods on hand as shown by the total of the balances in the trading merchandise sections of the going inventory should agree with the balance of the controlling account. It should also, of course, agree with the result of a physical inventory taken of the trading goods actually on hand.

In the same manner, the section of the going inventory given to manufacturing materials is controlled by the Raw Materials account in the General Ledger. The section of the going inventory given to manufactured goods is controlled by the Finished Goods account in the General Ledger.

Entries in the Sales Returns and Allowances Journal are made from duplicate credit memorandums approved by the general manager. The costs of goods returned by customers are entered on the duplicate credit memorandums by the inventory clerk.

Both the duplicate bills and duplicate credit memorandums are numbered consecutively from the first of the month.

All cash received including checks, currency, post-office and express money orders, etc., is deposited daily in the City National Bank. Consequently the Cash Receipts Book is not only a record of cash received, but also a record of deposits made. All disbursements are made by check except such as must necessarily be made in currency, for which a petty cash fund is provided.

The Check Register is a record of checks drawn on the bank, currency disbursements being recorded on "petty cash vouchers" which are summarized, approved, and entered in the Voucher Register as a series of charges to the proper expense accounts whenever the petty cash fund is replenished. Columns are provided in the Check Register for deposits made, checks drawn on the bank, and for the balance on deposit. Checks are to be numbered consecutively starting with No. 1.

The General Journal is provided with special columns in order to reduce the work of classifying and posting the entries made therein.

The General Ledger contains general expense accounts only. These are Manufacturing Expenses, Buying and Receiving Expenses, Selling Expenses, Shipping and Delivery Expenses, General Administrative Expenses, Maintenance of Store Building, and Garage Expenses. Each general expense account controls a corresponding section of the subsidiary Expense Ledger. The Expense Ledger is divided into seven sections to agree with the classification of operating expenses. The section given to Manufacturing Expenses is subdivided into Indirect Labor, Maintenance of Factory Real Estate, Maintenance of Production Machinery and Equipment, Power, Heat and Light, Factory Organization Expenses and Lost Time.

Detailed Interest and Discount accounts and other extraneous income and expense accounts are kept in the General Ledger.

In addition to the books named, there are the Minute Book, Stock Certificate Books, Stockholders' Ledger or Transfer Book, and the Subscribers' Ledger. The methods of making entries in these books are easily comprehended and the student is not required to operate them. There is also the subsidiary Sales Ledger, operated as in September, and which the student will not be required to write up.

REVERSING ENTRY

Before starting on the transactions for October the bookkeeper will reverse such of the adjusting entries of September 30 as resulted in bringing onto the books accounts which will not be used currently during the coming month. It should be borne in mind that no reversing entry was made on September 1. Certain accounts representing accrued items were brought forward from September 1 and in adjusting them on September 30 they were debited or credited, not for the amounts accrued to September 30, but for amounts which would cause their balances to show the correct accruals as of that date. Consequently, the figures used in making the present reversing entry are not necessarily the same as those used in making the adjusting entries.

The adjusting entries to be reversed are:

No. 1. Stationery and postage on hand (charge Purchasing

and Receiving Expenses \$42.80, Selling Expenses \$75.65, Shipping and Delivery Expenses \$38.90 and General Administrative Expenses \$192.15, these amounts representing the cost of the stationery and postage on hand in the corresponding departments).

No. 2. Office supplies on hand (charge General Administrative Expenses).

No. 6. Accrued rent receivable (charge Selling Expenses).

No. 8. Accrued telephone and lighting charges (credit Maintenance of Store Building for the lighting charge and General Administrative Expenses for the telephone charges).

No. 11. Interest accrued on notes receivable.

No. 12. Interest accrued on notes payable.

No. 15. Interest accrued on loan from Mr. Willard (credit Interest on R. O. Willard Loan).

No. 16. Accrued income on securities owned.

TRANSACTIONS FOR THE MONTH

October 1

Mr. Dudley has purchased 750 shares of preferred stock and Mr. Foss 500 shares of preferred stock, both at par. Received their checks in payment and issued stock certificates to them.

Paid by check to H. S. Knight, attorney, for professional services in connection with the incorporation of the business, including the fee required by the state law \$1,500. Voucher No. 1 (charge Organization Expenses Deferred).

Cashed at the bank a check for \$150 to be set aside as a fund for currency disbursements. *Voucher No.* 2 (charge Imprest Cash Fund).

Mr. Willard has donated back to the business 250 shares of common stock and Mr. Haywood and Mr. Hoyt have each donated 100 shares of common stock, to be used in raising additional working capital.

The bookkeeper will make the entries in the Check Register to record the deposit of the cash received and the checks drawn during the day and the balance on deposit at the close of the day. (Note.—It is intended that these entries shall be made at the close of each day throughout the month. No further mention of them will be made in the record of transactions.)

October 2

Received bill from W. H. Wheeler for rent of warehouse for October. Voucher No. 3.

PURCHASES OF TRADING MERCHANDISE:

Armstrong Carpet Company—terms, 2% 10	
days—net 30 days—f.o.b. Amsterdam, N. Y.	\$2,689.35
Paid freight on the same by check	\$210.40
e invoice with the receipted freight bill	•

The invoice with the receipted freight bill attached make up *Voucher No.* 4.

P. E. Crocker Manufacturing Company—	
terms, 30 days net—f.o.b. Hartford, Conn	\$1,890.42
Paid freight by check	\$ 150.00

The invoice and freight bill make up Voucher No. 5.

Sanford, Smith & Co.—terms, 60 day note with interest at 6%—f.o.b. Boston (Voucher No. 6.).....

\$4,602.85

RECEIVED THE FOLLOWING CHECKS:

Atlas Furniture Co., in full	\$ 1,746.17
Johnson and Carter, in full	\$1,293.52
P. F. Carey & Co., on account	\$3,000.00

Deposited for collection at the City National Bank, A. B. Barker & Co.'s acceptance due October 4.

October 4

Sold for cash, through Curtis & Co., bankers, 500 shares of preferred stock at an average price of $102\frac{1}{2}$. Curtis & Co. receive as their commission 5 shares of preferred stock and 15 shares of treasury stock common for each hundred shares sold.

Voucher No. 7. — Invoice from Taylor Printing Co.—stationery for purchasing department \$52.80; stationery for shipping department \$34.50; advertising circulars, \$300.

Voucher No. 8.—Purchased from the White Company three automobile trucks (charge Automobile Trucks)

\$8,400.00

Voucher No. 9.—Edison Company's bill for lighting for September	\$2 65.30
October 5	
Sales of Trading Merchandise: R. A. Pond, Boston—terms, 2% 10 days, net	40 70 4 00
60 days (cost of goods sold \$2,069.50) Atlas Furniture Co., Lynn—terms, net 30	\$2,734.00
days, f.o.b. Boston (cost \$1,190.30) Packard and Noyes, Providence, R. I.— terms, 15 day sight draft, f.o.b. Boston (cost	\$ 1,872.85
\$1,510.92)	\$2,431.80
Voucher No. 10	\$107 .30
Cash sales (cost \$593.45)	\$932.50
October 6	
Purchased a lot of land from Robert Bruce for \$20,000 including accrued taxes \$316.50, and entered into a contract with the Fox Construction Company for the erection of a storage warehouse. The contract price is \$50,000. Voucher No. 11.—Paid by check the amount due Robert Bruce.	
Voucher No. 12.—Paid by check our acceptance of September 21. Voucher No. 13.—New England Telephone & Telegraph Co.'s bill for telephone service for September	\$ 15.60

\$1,200.00

Voucher No. 14.—Central Auto Service Co.'s invoice, tires \$210; gasoline and oil \$16.50.

Voucher No. 15.—Adams, Cushing & Co.'s invoice for letter-trays, waste baskets, and sundry supplies, for the general office \$25.30; for the sales department \$36.90.

Voucher No. 16.—Cashed a check and advanced the amount thereof to the traveling salesmen for expenses (charge Advances to Salesmen)......

October 8

Received a check from Walker Brothers & Co. in settlement of their note due October 6.

We have acquired by purchase the entire plant, assets—except cash—and good will of the Conant Brothers Desk Company, manufacturers of office furniture. The following balance sheet was taken from its books after they had been properly adjusted as of October 6:

ASSETS

Land	\$75,500 .00
Buildings (cost)	300,000.00
Machinery and Equipment (cost)	140,000.00
Office Furniture and Fixtures (cost)	2,000.00
Factory Tools and Supplies on Hand	930.45
Cash	14,173.89
Accounts Receivable	31,176.25
Raw Materials Inventory	24,319.63
Goods in Process Inventory	8,247.06
Finished Goods Inventory	41,944.72
Insurance Prepaid as of October 6	894.82
	\$639,186.82

LIABILITIES

Mortgage Payable—due June 1, 1925—	
interest at 6% payable June 1 and Decem-	
ber 1.	\$95,000.00
Accounts Payable	23,269.80

Salaries and Wages Accrued as of October 6	586.97
Taxes Accrued to October 6	2,975.00
Interest Accrued on Mortgage Payable to Oc-	•
tober 6	1,995.00
Reserve for Depreciation of Buildings	80,000.00
Reserve for Depreciation of Machinery and	-
Equipment	26,750.00
Reserve for Depreciation of Office Furniture	ř
and Fixtures	639.50
Capital Stock Common (2,000 shares)	200,000.00
Capital Stock Preferred (1,750 shares)	175,000.00
Surplus	32,970.55
	\$639,186.82

The good will of the business is fixed at \$56,000.

In settlement we agree to assume the liabilities of the Conant Brothers Desk Company, and to issue to the vendor corporation one share of common stock and \$30 cash for each share of its common stock and one share of common stock, five shares of preferred stock and \$50 in cash for each five shares of its preferred stock.

The purchase is made through I. M. Conant, liquidator for the Conant Brothers Desk Company. All of the outstanding stock of the vendor corporation having been surrendered to him by the stockholders, we issue to him stock certificates and our check (Voucher No. 18) for the cash due in accordance with the terms of the bill of sale.

It should be noted that of the accounts receivable on the vendor's books, \$3,974.52 is an amount due from us, and that we hold by purchase in the open market two hundred shares of the common stock of the vendor corporation. The treasury stock acquired is to be brought onto the books at par.

October 10

Voucher No. 20.—Heath Lumber Co.—f.o.b. Bath,	
Maine: Raw materials Freight, paid by check Voucher No. 21.—Hartford Manufacturing Co.— terms, 2% 10 days, net 60 days f.o.b. Boston:	\$5,610.00 \$640.00
Raw materials	\$1,167.82
coal for factory	\$ 310.00
tion has been paid in full.	
R. A. Pond has returned trading goods billed at \$930.50 (cost \$656.75).	
Allowed Atlas Furniture Co.'s claim for damaged trading goods, \$500.	
October 11	
Voucher No. 23.—Paid by checks taxes for the year	
ending April 1 next:	
On store real estate	\$3,350.00
On stock in store	2,306.00
On lot purchased October 6	612.60
On factory real estate	3,495.00
On factory machinery and equipment	1,306.00
Corporate franchise tax	911.00
- · · · · · · · · · · · · · · · · · · ·	\$11,980.60
Of the accrued taxes now on the books, those on	
the store property were estimated to October 1;	
those on the land purchased October 6 are the correct	
figures based on the taxes bill, accrued to October 6;	
taxes on the factory property and the corporate	
franchise tax are the correct figures accrued to	
October 8.	
October 12	
Sales:	
W. D. Clarke & Co., Portland, Maine—terms, 2% 10 days, net 30 days—f.o.b. Boston:	
Manufactured goods (cost \$2,319.60)	\$2,984.35
Trading goods (cost \$1,304.70)	2,189.40
((,,	\$5,173.75
	40,110.10

Paid freight on this shipment by check. Voucher No. 24	\$ 195.00
Keen and Mason, Troy, N. Y.—terms, 60 days—	
f.o.b. Troy:	
Manufactured goods (cost \$2,910.84)	\$4 ,129.61
Trading goods (cost \$847.32)	1,276.50
	\$5,406.11
Paid freight on this shipment by check. Voucher No. 25 F. P. Day Furniture Co., Albany, N. Y.—terms, 60 days—f.o.b. Boston:	\$24 0.75
Manufactured goods (cost \$2,273.21)	\$3,219.40
Manufactured goods (cost \$1,493.50)	\$2,364.82
Trading goods (cost \$1,127.79)	•
	\$4,182.37

Paid the following by check:

Voucher No. 3

Voucher No. 4, less cash discount

Voucher No. 7

Voucher No. 8

Voucher No. 9

Voucher No. 13

Voucher No. 21, less cash discount

Sent Sanford, Smith & Co. our 60 day note with interest at 6%, dated October 2, for the amount due them on Voucher No. 6.

Drew a draft at fifteen days' sight through the First National Bank of Providence on Packard and Noyes for the amount due from them, \$2,530.10. (Make no entry at this time.)

Transferred from the stock of finished goods to the office for use in the purchasing department, three office desks which cost to manufacture \$96.50.

October 13

Voucher No. 26.—Issued a check to Mr. Dudley for the amount due on the accounts payable carried over from September and for \$11,810.80 of the accounts payable assumed at the time the business of the

Conant Brothers Desk Company was purchased.	
Mr. Dudley will issue his personal checks to the	
various creditors.	
Voucher No. 27.—Taylor Printing Company:	
Catalogs (charge Catalogs on Hand)	\$2,350.00
Blanks for use in the factory	60.85
	\$2,410.85
Voucher No. 28.—Gave Mr. Willard a check for the	
amount due him on salary for September.	
Voucher No. 29.—Replenished imprest cash fund.	
An analysis of the petty cash vouchers shows the	
following disbursements:	
Carfares (General Administrative Expenses)	\$15.50
Stamps:	
Purchasing department	5.00
Sales department	15.00
General office	25.00
Telegrams:	
Sales department	3.00
General office	1.50
Cleaning and sweeping (Maintenance of Building).	24 .00
Numbering machine for factory office	6.00
Factory tools (Factory Tools and Supplies on Hand)	15.70
	\$110.70
Voucher No. 30.—Payroll check for the week end-	
	\$3,640.85
ing Friday, October 12	φυ, υτυ . σο

October 15

Received from Howe and French \$150 for rent due today. They will not occupy any portion of the warehouse after this date.

The second installment due from subscribers to preferred stock is paid in full.

Carrying out the policy of the company to enlarge its business, the directors have voted to purchase a lot of land adjacent to the site of the factory for \$40,000 and prepaid taxes \$480, and to erect thereon a new factory building at a cost not to exceed \$175,000. In order to raise the necessary funds a special meeting of the stockholders has been held and

the directors have been authorized to issue bonds to the amount of \$300,000.

The bond issue is to consist of three hundred bonds having a face value of \$1,000 each. They are dated October 1, are due in twenty years, and bear interest at the rate of 6% per annum, payable semiannually on April 1 and October 1. They are secured by a mortgage on the property of the corporation made to the Merchants' Trust Company as trustee. The bond agreement provides that at the end of each month a sum equal to 3% per annum of the bonds outstanding shall be paid out of the profits of the corporation to the Merchants' Trust Company to be used, with earnings, as a sinking fund from which the bonds may be purchased at the discretion of the trustee at a price not exceeding 105.

October 16

A. M. Smart's note due October 10 has been dishonored. We have had the note protested, paying the protest fee of \$3.50 out of the imprest cash fund, and have charged Johnson and Carter, from whom we received the note, with its face, \$2,000, thirty days' interest at 6%, and the amount of the protest fee. (Make no entry for the protest fee until the petty cash is replenished.)

Sold through Curtis & Co. for cash the ten first mortgage bonds of the Standard Leather Company at 1021/2 including accrued interest.

Voucher No. 31.—Issued our check to H. L. Boardman for the amount due on the purchase of the factory site.

Entered into a contract with Hayden and Norcross for the erection of a four story factory building. The contract price is \$160,000, to be paid in installments during the construction of the building.

October 17

Purchases:

Voucher No. 32.—Wakefield Manufacturing Company—terms, 3% 10 days, net 60 days:

Voucher No. 33.—Blackmar & Company, Biddeford,	
Maine—terms, 30 days net—f.o.b. Biddeford:	•;
Raw materials	\$5,126.70
Freight, paid by check	\$502.50
Voucher No. 34.—Hartford Manufacturing Com-	
pany—terms, 30 days net—f.o.b. Boston:	
Raw materials	\$2,690.47
Paid freight by check—Voucher No. 35	\$ 157.35
Packard and Noyes have accepted our draft of	
October 12. Date of acceptance October 15. We	•
discount the draft at 6% at the City National Bank.	
Sold 175 bonds to Marshall and Co., bankers, at	
93½, which price includes accrued interest. Received	
from them a check in settlement.	
October 18	
Sales:	
Head and Beecher, Boston—terms, 2% 10 days:	
Manufactured goods (cost \$2,610.92)	\$3,725.46
F. B. Appleton and Co., Rochester, N. Y.—terms,	- ,
30 days net—f.o.b. Boston:	
Manufactured goods (cost \$1,864.52)	\$2,837.40
Trading goods (cost \$2,127.90)	3,069.81
<u>-</u>	\$5,907.21
- -	
Shepard and Smith, Albany, N. Y.—terms, 2% 10	
days, net 30 days—f.o.b. Boston:	
Trading goods (cost \$1,573.60)	\$2,406.59
Bixby Furniture Company, New York-terms, 60	•
days net—f.o.b. Boston:	
Manufactured goods (cost \$4,946.70)	\$7,817.00
Returned to Hartford Manufacturing Company:	•
Raw materials	\$1,096.50
Sold for cash through Curtis and Co. the two hun-	•
dred shares of treasury stock acquired at the time the	
Conant Brothers Desk Company was taken over at	
103. Curtis and Co. deduct a commission of \$400 and	
remit us the proceeds.	
Received the following checks:	_
Little Furniture Co. in full	\$1,180.40
Worcester Furniture Co., on account	

W. D. Clarke & Co., bill of October 12, less 2% cash discount, and freight prepaid by us.

October 20

Keen and Mason return:	•	
Manufactured goods (cost \$6	12.85)	\$924.50
Trading goods (cost \$310.00).		425.60
		\$1,350.10
We now freight on this let of goods	Voucher No. 26	# 91 00

We pay freight on this lot of goods. Voucher No. 36. Received notice from the Faber Manufacturing Company that the note endorsed to them by us on September 28, due October 18, has been paid by the makers, P. F. Carey & Co.

A fire in the factory building has damaged several machines so that it is necessary to discard them. The machines cost \$15,000. The amount reserved for depreciation on them to October 1 is \$3,250 and the estimated depreciation from October 1 to date is \$45.50. Filed a claim with the insurance agents for the damage done.

Voucher No. 37.—Purchased fifteen 5% first mortgage bonds of the National Carpet Company. The bonds mature November 1, one year hence. Interest payable November 1 and May 1. Price 106½, including brokerage and accrued interest. Issued a check in settlement.

October 22

Acquired the patent rights on a devise for locking office desks. In settlement issued to the patentee one hundred and fifty shares of preferred stock.

The final installment due from the subscribers to preferred stock is paid with the exception of that due from one James R. Atkins who subscribed for 75 shares. Issued stock certificates for the preferred stock and the common stock bonus to the subscribers whose subscriptions are fully paid.

Discarded two desks in the factory office which

The state of

cost \$60 and replaced them from stock of finished goods with desks that cost to manufacture \$75. Voucher No. 39.—Paid by check the mortgage assumed at the time the Conant Brothers Desk Company was taken over together with the accrued interest to date. Voucher No. 40.—Paid by check \$15,000 on account of principal and interest on the loan from Mr. Willard. Voucher No. 41.—Took out insurance on the auto trucks with the Hartford Insurance Company. Premium \$210 (charge Insurance Prepaid). Voucher No. 42.—Invoice from Fox Construction Company on account of warehouse contract. \$15,000.00 Voucher No. 43.—Drew a check to replenish the imprest cash fund. Disbursements since the fund was last replenished summarized as follows: Car fares..... \$9.75 Stamps—Factory office..... 10.00 Mailing circulars..... 20.50 Cleaning and sweeping store..... 24.00 Telegram, purchasing department..... 1.20 Repairs to adding machine in the factory 7.00 office........ Suppers, clerks in general office..... 3.00 To sales manager, expenses of entertaining customers..... 15.00 Protest fee on A. M. Smart's note, dishonored (charge Accounts Receivable, Johnson and Carter)..... 3.50\$93.95

\$2,154.68
3 2
\$4,168.30
\$485.00

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SALES:	
R. A. Pond, Boston, 30 days net:	
Manufactured goods (cost \$1,907.35)	\$3,107.30
Trading goods (cost \$1,972.48)	2,964.75
	\$6,072.05
	40,012.00
Packard and Noyes, Providence, R. I.—terms,	
2% 10 days—f.o.b. Providence:	** ***
Trading goods (cost \$1,048.45)	\$1,738.64
Freight paid by check. Voucher No. 46	\$ 75.30
Lapham Brothers, Philadelphia—terms, net 60	
days—f.o.b. Boston:	40.074.00
Manufactured goods (cost \$5,596.70)	\$ 8,074.00
Cash Sales:	****
Manufactured goods (cost \$575.80)	\$902.76
Trading goods (cost \$475.50)	625.00
	\$1,527.76
F. B. Appleton & Co. have returned manufac-	
tured goods (cost \$227.50)	\$340 .62
Allowed Bixby Furniture Company for manu-	•
factured goods not as represented by salesman	\$ 634.00
October 24	
Reached an agreement with the insurance adjus-	
Reached an agreement with the insurance adjusters by which we are to receive \$11,500 for the	
Reached an agreement with the insurance adjusters by which we are to receive \$11,500 for the damage done by the fire of October 20. Received	
Reached an agreement with the insurance adjusters by which we are to receive \$11,500 for the damage done by the fire of October 20. Received a check for that amount.	
Reached an agreement with the insurance adjusters by which we are to receive \$11,500 for the damage done by the fire of October 20. Received a check for that amount. John K. Allen & Co. have failed. Received a	
Reached an agreement with the insurance adjusters by which we are to receive \$11,500 for the damage done by the fire of October 20. Received a check for that amount. John K. Allen & Co. have failed. Received a check for \$2,397.37, settlement at 75 cents on the	
Reached an agreement with the insurance adjusters by which we are to receive \$11,500 for the damage done by the fire of October 20. Received a check for that amount. John K. Allen & Co. have failed. Received a check for \$2,397.37, settlement at 75 cents on the dollar The balance due from them, \$799.12, is lost.	
Reached an agreement with the insurance adjusters by which we are to receive \$11,500 for the damage done by the fire of October 20. Received a check for that amount. John K. Allen & Co. have failed. Received a check for \$2,397.37, settlement at 75 cents on the dollar The balance due from them, \$799.12, is lost. October 25	
Reached an agreement with the insurance adjusters by which we are to receive \$11,500 for the damage done by the fire of October 20. Received a check for that amount. John K. Allen & Co. have failed. Received a check for \$2,397.37, settlement at 75 cents on the dollar The balance due from them, \$799.12, is lost.	
Reached an agreement with the insurance adjusters by which we are to receive \$11,500 for the damage done by the fire of October 20. Received a check for that amount. John K. Allen & Co. have failed. Received a check for \$2,397.37, settlement at 75 cents on the dollar The balance due from them, \$799.12, is lost. October 25 Voucher No. 47.—Invoice from Fox Construction Company on account of warehouse contract	\$10,000.00
Reached an agreement with the insurance adjusters by which we are to receive \$11,500 for the damage done by the fire of October 20. Received a check for that amount. John K. Allen & Co. have failed. Received a check for \$2,397.37, settlement at 75 cents on the dollar The balance due from them, \$799.12, is lost. October 25 Voucher No. 47.—Invoice from Fox Construction	\$10,000.00
Reached an agreement with the insurance adjusters by which we are to receive \$11,500 for the damage done by the fire of October 20. Received a check for that amount. John K. Allen & Co. have failed. Received a check for \$2,397.37, settlement at 75 cents on the dollar The balance due from them, \$799.12, is lost. October 25 Voucher No. 47.—Invoice from Fox Construction Company on account of warehouse contract	\$10,000.00 \$162.50
Reached an agreement with the insurance adjusters by which we are to receive \$11,500 for the damage done by the fire of October 20. Received a check for that amount. John K. Allen & Co. have failed. Received a check for \$2,397.37, settlement at 75 cents on the dollar The balance due from them, \$799.12, is lost. October 25 Voucher No. 47.—Invoice from Fox Construction Company on account of warehouse contract Voucher No. 48.—Invoice from Carpenter and Son:	·
Reached an agreement with the insurance adjusters by which we are to receive \$11,500 for the damage done by the fire of October 20. Received a check for that amount. John K. Allen & Co. have failed. Received a check for \$2,397.37, settlement at 75 cents on the dollar The balance due from them, \$799.12, is lost. October 25 Voucher No. 47.—Invoice from Fox Construction Company on account of warehouse contract Voucher No. 48.—Invoice from Carpenter and Son: Repairs to factory building	\$162.50
Reached an agreement with the insurance adjusters by which we are to receive \$11,500 for the damage done by the fire of October 20. Received a check for that amount. John K. Allen & Co. have failed. Received a check for \$2,397.37, settlement at 75 cents on the dollar The balance due from them, \$799.12, is lost. October 25 Voucher No. 47.—Invoice from Fox Construction Company on account of warehouse contract Voucher No. 48.—Invoice from Carpenter and Son: Repairs to factory building	\$162.50 75.00
Reached an agreement with the insurance adjusters by which we are to receive \$11,500 for the damage done by the fire of October 20. Received a check for that amount. John K. Allen & Co. have failed. Received a check for \$2,397.37, settlement at 75 cents on the dollar The balance due from them, \$799.12, is lost. October 25 Voucher No. 47.—Invoice from Fox Construction Company on account of warehouse contract Voucher No. 48.—Invoice from Carpenter and Son: Repairs to factory building	\$162.50 75.00 \$237.50
Reached an agreement with the insurance adjusters by which we are to receive \$11,500 for the damage done by the fire of October 20. Received a check for that amount. John K. Allen & Co. have failed. Received a check for \$2,397.37, settlement at 75 cents on the dollar The balance due from them, \$799.12, is lost. October 25 Voucher No. 47.—Invoice from Fox Construction Company on account of warehouse contract Voucher No. 48.—Invoice from Carpenter and Son: Repairs to factory building	\$162.50 75.00 \$237.50 \$247.50
Reached an agreement with the insurance adjusters by which we are to receive \$11,500 for the damage done by the fire of October 20. Received a check for that amount. John K. Allen & Co. have failed. Received a check for \$2,397.37, settlement at 75 cents on the dollar The balance due from them, \$799.12, is lost. October 25 Voucher No. 47.—Invoice from Fox Construction Company on account of warehouse contract Voucher No. 48.—Invoice from Carpenter and Son: Repairs to factory building	\$162.50 75.00 \$237.50

Voucher No. 50.—Jordan Advertising Agency: Newspaper advertising for October Voucher No. 51.—Freeman Coal Company: Fuel for power plant Received the following checks:	\$1,250.00 \$780.00
Barney and Eustis, on account (account taken over from Conant Brothers Desk Co.) F. P. Day Furniture Company, bill of October 12.	\$5,000.00 \$3,219.40
Bixby Furniture Company, amount due on bill of October 18	\$7,183 .00
October 27	
Voucher No. 52.—Purchased from the Hayford Machine Company machines to replace those destroyed by fire. Invoice cost	\$12,500.00 \$300.00 \$4,989.60
Issued checks in payment of the following vouchers No. 42 and No. 47.—Fox Construction Comps No. 15.—Adams, Cushing & Co. No. 22.—Freeman Coal Co. No. 32.—Wakefield Manufacturing Co., less discount. No. 41.—Hartford Fire Insurance Company.	ny

October 29

Discarded a factory machine which cost \$2,850 and replaced it with one purchased from the Hayford Machine Company at a cost of \$3,200 (Voucher No. 55). \$2,270 had been reserved up to October 1 for

depreciation of the discarded machine, and the estimated depreciation from October 1 to date was \$24.50. Voucher No. 56.—Paid by check the balance due on the warehouse contract, the building being completed. SALES:	
Bixby Furniture Company—terms, net 60 days—f.o.b. Boston:	
Manufactured goods (cost \$2,817.62) Trading goods (cost \$1,210.89)	1,840.60
	\$6,112.05
B. A. Pratt, Portland, Maine—terms, net 30 days—f.o.b. Boston:	
Manufactured goods (cost \$2,007.90) Blaisdell and White, Boston—terms, net 30 days:	\$2,935.42
Trading goods (cost \$2,593.70)	\$3,927.48
Manufactured goods (cost \$1,449.87)	
Trading goods (cost \$2,237.56)	
	\$4,997.20
Shepard and Smith return trading goods (cost \$375.14)	\$519.40
October 30	
Received notice from the bank that the acceptance of Packard and Noyes, dated October 15 and discounted by us on October 17, has been paid.	
Return to H. S. Morse and Co. trading goods Voucher No. 57.—J. F. Clarke's bill for repairs to	\$ 519.43
factory machinery	\$210.00
Factory office	\$15 .60
Purchasing department	9.45
•	\$25.05
Voucher No. 59.—The White Company's bill for repairs to trucks	\$ 102.57

Received the following checks: Johnson and Carter, amount due on A. M. Smart's dishonored note Lapham Brothers, bill of October 23 Hammond and Co., in full (account taken over from Conant Brothers Desk Co.) Barney and Eustis, in full	\$2,013.50 \$8,074.00 \$7,382.46 \$3,590.50
October 31	
Voucher No. 60.—Paid Hayden and Norcross on account of factory building contract, by check Voucher No. 61.—Drew a check for salaries of	\$ 49,500.00
officers and salesmen for the month (charge Payroll): Officers	\$1,350.00 1,800.00
	\$3,150.00
Invoices for the following four items have not been received, the amounts being ascertained by inquiry. The entries are to be made directly in the Voucher Register:	
Voucher No. 62.—Steam Power Company, heating store building	\$175.00
building	\$ 295.50
Factory office	\$24.00
Sales department	12.00
Purchasing department	7.50
General office	12.00
	\$55.50
Voucher No. 65.—Main Street Garage: Storage of trucks Washing trucks Sundry supplies	
Voucher No. 66.—Check to replenish imprest cash	\$157.85

Voucher No. 66.—Check to replenish imprest cash disbursements:

Carfares	\$ 7.35
Telegrams, factory office	2.00
Oil, waste and grease for factory	39.80
Cleaning and sweeping store	30.00
Directors' fees	25.00
Supplies for general office	4.80
Supplies for shipping department	12.37
	\$121.32
ucher No. 67.—Issued to the Merchants' Trust	

Voucher No. 67.—Issued to the Merchants' Trust Company, as trustee of the bond sinking fund, a check for \$437.50 in accordance with the terms of the bond agreement.

Issued checks in payment of the following vouchers:

Nos. 14 and 49.—Central Auto Service Company.

No. 27.—Taylor Printing Co.

CASH SALES:

Manufactured goods (cost \$1,438.26)	\$2,073.40
Trading goods (cost \$701.50)	1,007.55
	\$3,080.95
1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	

The bank statement shows an allowance for interest on daily balances.....

\$210.25

In anticipation of sufficient profits the directors have declared a dividend of three-quarters of one per cent. on the outstanding preferred stock, payable November 15.

The bookkeeper will rule up the books of entry, post to the General and Expense Ledgers, and take a trial balance of the General Ledger.

CLOSING THE BOOKS

Adjusting Entries:

- 1. Depreciation of buildings; store building on the basis of last month's figures; the factory buildings cost \$300,000 and are estimated to last thirty years from the time they were erected, a full month's depreciation to be charged in October; depreciation on the warehouse is to be figured from November 1.
- 2. Depreciation of store fixtures on the basis of last month's figures.

3. Depreciation of office furniture and fixtures; the factory office furniture cost \$2,075, and its life is estimated at ten years, depreciation for a full month to be charged in October; estimated life of furniture and fixtures in the store building, six years from September 1; the cost of the furniture in the various departments is as follows:

Purchasing and Receiving Department	\$780.50
Sales Department	1,200.00
Shipping Department	360.00
General Office	1,096.00
	\$3,436.50

- 4. Depreciation on machinery and equipment is figured on each item separately; on factory machinery, for the month \$397.52; on power plant machinery, \$87.31.
- 5. Depreciation of auto trucks; estimated life five years from October 1.
- 6. Adjust the Taxes Prepaid account so that its balance will represent the prepaid taxes as of this date. The taxes accrued on the factory land and building to the date of purchase, October 6, was \$1,825.15; on the machinery and equipment \$679.04; franchise tax, \$470.81. Taxes on the machinery and equipment are divided between machinery in the factory and machinery in the power plant in proportion to the cost of machinery on hand October 8, \$120,000, and \$20,000 respectively.
- 7. Insurance expired for the month as per the insurance register:

On store building	\$125.00
On factory building	165.00
On stock in store	72.92
On factory machinery and equipment	97.50
On power plant machinery and equipment	28.50
On raw materials and goods in process	20.00
On finished goods	25.75
On auto trucks	5.25
Liability insurance, factory	82.90
_	\$622.82

- 8. Circulars on hand \$225; catalogs on hand \$2,070.
- 9. Stationery and postage on hand:

Factory office	\$18.60
Purchasing department	35.00
Sales department	34.50
Shipping department	15.75
General office	64.00
	\$167.85

- 10. Fuel on hand, \$300.00.
- 11. Factory tools and supplies on hand as per inventory, \$868.30.
 - 12. Distribution of Payroll for the month:

Officers	\$1,350.00
Direct Labor	9,290.56
Superintendence	1,850.00
Engineer and Firemen	350.00
Factory helpers	410.25
Factory office clerks	341.50
Purchasing and receiving department	680.45
Sales department	2,210.00
Shipping department	690.00
General office	542 .80
Chauffeurs	210.00
	\$17,925.56

- 13. Of the direct labor, \$247.30 was expended in repairing factory machines, and \$332.85 was non-productive.
- 14. Set up a further reserve for loss on bad accounts and notes receivable amounting to 1% of the net charge sales for the month.
- 15. The organization expenses are to be written off over a period of five years from October 1.
- 16. The discount on bonds sold is to be spread over the life of the bonds.
 - 17. Accrue the income on securities owned to October 1.
- 18. The premium on the bonds of the National Carpet Company is to be written off from the date of purchase so that at their maturity the bonds will appear on the books at par.
- 19. Accrue the interest on interest bearing notes receivable to October 31.
- 20. Accrue to October 31 the interest on the mortgage payable, on bonds payable, and on the loan from Mr. Willard.

- 21. Accrue to October 31 the interest on interest bearing notes payable.
- 22. Properly adjust the balance of the Interest Prepaid on Notes Discounted account.
- 23. Traveling expenses for the month, according to salesmen's reports, \$875.25.
- 24. The cost of maintaining the store building is to be divided among the several departments on the basis of floor space occupied, as follows:

Buying and Receiving	. 10%
Selling	65%
Shipping and Delivery	5%
General Administrative	20%

- 25. The garage expenses are to be divided between Buying and Receiving expenses and Shipping and Delivery expenses on the basis of the volume of gross purchases and the cost of goods sold.
- 26. The expenses of the Buying and Receiving Department are to be divided between the factory (manufacturing) and the store (trading goods) on the basis of the volume of gross purchases of raw materials and of trading goods.

According to the factory records the cost of raw materials requisitioned during October is \$14,964.85.

The inventory of goods in process October 31 is \$3,764.90.

The cost of oil, waste and grease used is divided equally between Maintenance of Production Machinery and Equipment and Heat, Light and Power.

After posting the adjusting entries, the bookkeeper will take an adjusted trial balance and draw up the following statements:

Manufacturing statement for the twenty-three days ending October 31, showing details of manufacturing expenses.

Profit and loss statement for the month ending October 31, supported by schedules showing the details of operating expenses.

Balance sheet (double account form) as of October 31.

List of the unpaid accounts and vouchers payable.

Close the books as of October 31.

NOVEMBER

The books used in November are the Journal and General Ledger, all entries being made in journal form.

November 1

Sold for cash the treasury stock common on hand at 92.

On the authority of the stockholders and with the consent of the holders of the outstanding bonds, the business of the Havwood Furniture Company has been acquired by the General Furniture Manufacturing Company, a corporation formed under the laws of the State of New York for the purpose of consolidating several manufacturing plants. The sale is consummated through Arthur S. Dewing, a promoter. The vendee is to take over all of the assets of the Haywood Furniture Company as of November 1 except cash in bank, on hand, and in the hands of salesmen, and the amount due on subscriptions to capital stock; and is to assume all of its liabilities except the unpaid dividend. The bond owners are to receive bonds of the General Furniture Manufacturing Company in exchange for those they now hold. Common stockholders are to receive one share of the common stock of the General Furniture Manufacturing Company and \$10 in cash for each share held by them. Preferred stockholders are to exchange their shares at par for 6% first mortgage bonds of the General Furniture Manufacturing Company, and in addition one share of its common stock for each ten shares now held by them. The stock, bonds and cash are to be issued to us as soon as all of the outstanding certificates have been turned in.

November 15

Paid in cash the preferred dividend due today.

November 28

The requirements of the law having been complied with we have had sold at public auction the preferred stock subscribed by James R. Atkins for \$6,850. The expenses of the sale, \$62.50, we have paid in cash. After deducting the amount due on the stock, the expenses of the sale and interest amounting to \$18.75 the surplus of the sale is remitted to Atkins.

November 30

All of the outstanding stock certificates having been turned over to the promoter, he has issued to us common stock and bonds of the General Furniture Manufacturing Company and cash as per the terms of the bill of sale.

Make and post the entries to close the books of the Haywood Furniture Company and to show the distribution of the remaining assets among its stockholders. Common and preferred stockholders share alike in the distribution of assets.

SUPPLEMENTARY

Suppose that the business had not been sold and set up on a separate sheet of paper, the following accounts as they would appear on October 1, one year hence:

Bond Sinking Fund Reserve for Bond Sinking Fund Bond Discount and Expenses Bonds Payable

On that date the trustee of the sinking fund reports earnings from investments of sinking fund payments amounting to \$160; and that he redeemed on that day four bonds at 104½. Make the entries to give effect to these transactions and post them in so far as they affect the accounts named above.

NAMES OF GENERAL LEDGER ACCOUNTS

(In the order in which they should appear)

PART I

Land and Building: Store Fixtures: Office Furniture and Fixtures: Good Will: Common Stock of the Conant Brothers Desk Company: Securities Owned; Cash; Accounts Receivable— Wholesale: Accounts Receivable—Retail: Notes Receivable: Interest Accrued on Notes Receivable: Income Accrued on Securities Owned: Rent Receivable Accrued: Merchandise on Hand: Stationery and Postage on Hand: Office Supplies on Hand: Advertising Matter on Hand: Insurance Prepaid: Interest Prepaid on Notes Payable Discounted: Mortgage Payable: Accounts Payable; Notes Payable; Robert O. Willard Loan Account; Robert O. Willard Salary Account: Interest Accrued on Mortgage Payable: Interest Accrued on Notes Payable: Interest Accrued on Robert O. Willard Loan; Salaries and Wages Accrued; Taxes Accrued; Expenses Accrued; Reserve for Depreciation of Building; Reserve for Depreciation of Store Fixtures; Reserve for Depreciation of Office Furniture and Fixtures; Reserve for Loss on Bad Accounts and Notes Receivable; Notes Receivable Discounted; William C. Haywood-Capital; Richard K. Hoyt-Capital; Robert O. Willard—Capital; William C. Haywood— Drawings; Richard K. Hoyt—Drawings; Robert O. Willard— Drawings; Sales—Household Furniture; Sales—Office Furniture; Sales—Carpets and Rugs; Sales—Stoves and Ranges; Sales— Draperies: Purchases—Household Furniture: Purchases—Office Furniture; Purchases—Carpets and Rugs; Purchases—Stoves and Ranges; Purchases—Draperies; Freight Express and Carting Inward: Purchasing Department Salaries and Expenses; Salesmens' Salaries; Store Clerks' Salaries; Salesmens' Traveling Expenses; Sales Department Entertainment Expenses; Advertising; Taxes on Stock; Insurance on Stock; Depreciation of Store Fixtures; Miscellaneous Store Expenses; Rent of Warehouse; Shipping Department Salaries and Expenses; Freight, Express and Carting Outward; Salary of General Manager; Office Salaries; Depreciation of Office Furniture and Fixtures; Stationery and Postage; Office Supplies Used; Telephone and Telegrams; Carfares; Miscellaneous Office Expenses; Taxes on Real Estate; Insurance on Real Estate; Depreciation of Building; Repairs to Building; Heating and Lighting; Interest and Discount; Interest on Notes Receivable; Cash Discounts on Purchases; Discount on Notes Payable Prepaid; Dividend on Stock of Conant Brothers Desk Company; Income from Securities Owned; Interest on Mortgage Payable; Interest on Notes Payable; Interest on Robert O. Willard Loan; Cash Discounts on Sales; Loss on Bad Accounts and Notes Receivable; Adjustment of Book Value of Office Furniture and Fixtures; Donations to Charity; Profit and Loss; Cash Sales; M. A. Smith; Haywood Manufacturing Company—Vendee; Common Stock of the Haywood Manufacturing Company; Preferred Stock of the Haywood Manufacturing Company.

PART II

General Ledger Accounts

FIXED ASSETS:

Land

Buildings

Factory Machinery and Equipment

Store Fixtures

Office Furniture and Fixtures

Auto Trucks

Buildings in Construction

GOOD WILL

PATENT RIGHTS

BOND SINKING FUND

OUTSIDE INVESTMENTS:

Common Stock of the Conant Brothers Desk Company Securities Owned

TREASURY STOCK—COMMON

CURRENT ASSETS:

Cash in Bank

Imprest Cash Fund

Advances to Salesmen

Accounts Receivable

Notes Receivable

Subscriptions to Capital Stock Preferred

Accrued Assets:

Interest Accrued on Notes Receivable Income Accrued on Securities Owned Rent Receivable Accrued

INVENTORIES:

Trading Merchandise
Manufactured Goods
Goods in Process
Raw Materials
Factory Tools and Supplies on Hand
Fuel on Hand
Catalogs on Hand
Advertising Matter on Hand
Stationery and Postage on Hand
Office Supplies on Hand

PREPAID ASSETS:

Taxes Prepaid Insurance Prepaid Interest Prepaid on Notes Discounted

DEFERRED CHARGES TO PROFIT AND LOSS:

Organization Expenses Deferred Bond Discount Deferred

FIXED LIABILITIES:

Mortgages Payable Bonds Payable

BUILDING CONTRACT—WAREHOUSE
BUILDING CONTRACT—FACTORY BUILDING

CURRENT LIABILITIES:

Accounts Payable
Vouchers Payable
Notes Payable
Dividend Payable—Preferred
Robert O. Willard, Loan Account
Robert O. Willard, Salary Account
Accrued Liabilities:

Payroll
Taxes Accrued
Expenses Accrued
Interest Accrued on Mortgages Payable
Interest Accrued on Bonds Payable

Interest Accrued on Notes Payable
Interest Accrued on Robert O. Willard Loan

NOTES RECEIVABLE DISCOUNTED

RESERVES:

Reserve for Depreciation of Buildings

Reserve for Depreciation of Factory Machinery and Equipment

Reserve for Depreciation of Store Fixtures

Reserve for Depreciation of Office Furniture and Fixtures

Reserve for Depreciation of Auto Trucks

Reserve for Loss on Bad Debts and Notes Receivable

Reserve for Bond Sinking Fund

CAPITAL STOCK—COMMON
CAPITAL STOCK—PREFERRED
CAPITAL STOCK SUBSCRIBED—PREFERRED
CAPITAL STOCK DONATED—COMMON
CAPITAL SURPLUS
SURPLUS

SALES ACCOUNTS:

Sales of Trading Goods
Sales of Manufactured Goods

COST OF SALES ACCOUNTS:

Cost of Sales of Trading Goods
Cost of Sales of Manufactured Goods

BUYING AND RECEIVING EXPENSES
SELLING EXPENSES
SHIPPING AND DELIVERY EXPENSES
GENERAL ADMINISTRATIVE EXPENSES
MAINTENANCE OF STORE BUILDING
GARAGE EXPENSES

EXTRANEOUS INCOME ACCOUNTS:

Cash Discounts on Purchases Interest on Notes Receivable Income on Securities Owned Interest on Bank Deposit

EXTRANEOUS EXPENSE ACCOUNTS:

Cash Discounts on Sales Interest on Mortgages Payable Interest on Bonds Payable Interest on Notes Payable
Interest on Robert O. Willard Loan
Discount on Notes Receivable Discounted
Organization Expenses Written Off
Bond Discount Written Off
Adjustment of Reserves for Depreciation
Adjustment of Fire Loss
Loss on Sale of Securities
Loss on Bad Accounts and Notes Receivable

DIRECT LABOR
MANUFACTURING EXPENSES
MANUFACTURING
TRADING
PROFIT AND LOSS
HAYWOOD, HOYT AND WILLARD—VENDORS
CONANT BROTHERS DESK COMPANY—VENDORS
ROBERT BRUCE—AGENT
H. L. BOARDMAN—AGENT
CURTIS AND COMPANY—BROKERS
MARSHALL AND COMPANY—BROKERS
FREIGHT AND EXPRESS INWARD
CASH SALES

Expense Ledger Accounts

BUYING AND RECEIVING EXPENSES:

Rent—Space
Salaries and Wages
Stationery and Postage
Office Supplies Used
Telephone and Telegrams
Depreciation of Office Furniture and Fixtures
Trucking Inward

SELLING EXPENSES:

Rent—Space
Rent of Warehouse
Salaries and Wages
Traveling Expenses
Entertainment
Advertising—Newspapers
Advertising—Catalogs and Circulars
Stationery and Postage

ACCOUNTING

55. Office Supplies Used Telephone and Telegrams Depreciation of Office Furniture and Fixtures Depreciation of Store Fixtures Taxes on Stock in Store Insurance on Trading and Manufactured Goods Freight on Returned Goods

SHIPPING AND DELIVERY EXPENSES:

Rent-Space Salaries and Wages Stationery and Postage Supplies Used Depreciation of Furniture and Fixtures Freight and Express Outward Trucking Outward

GENERAL ADMINISTRATIVE EXPENSES:

Rent-Space Officers' Salaries Office Salaries and Wages Directors' Fees Stationery and Postage Office Supplies Used Telephone and Telegrams Depreciation of Office Furniture and Fixtures Carfares Miscellaneous Office Expenses Corporate Franchise Tax Collection Charges

MAINTENANCE OF STORE BUILDING:

Taxes Insurance Depreciation of Building Repairs to Building Heating and Lighting Cleaning and Sweeping

GARAGE EXPENSES:

Salaries of Chauffeurs Storage Insurance on Trucks

THEORY AND PRACTICE

Depreciation of Trucks
Repairs to Trucks
Washing and Polishing
Tires
Gasoline and Oil
Sundry Supplies Used

MANUFACTURING EXPENSES:

Indirect Labor:

Superintendence

Factory Helpers

Maintenance of Factory Real Estate:

Taxes

Insurance on Buildings

Depreciation of Buildings

Repairs to Buildings

Maintenance of Production Machinery and Equipment

Taxes

Insurance

Depreciation

Repairs

Oil Waste and Grease Used

Tools and Supplies Used

Heat, Light and Power:

Salaries of Engineer and Firemen

Taxes on Power Plant Machinery and Equipment

Insurance on Power Plant Machinery and Equipment

Depreciation of Power Plant Machinery and Equipment

Fuel Used

Oil, Waste and Grease Used

Factory Organization Expenses:

Factory Office Salaries and Wages

Stationery and Postage

Office Supplies Used

Telephone and Telegrams

Depreciation of Office Furniture and Fixtures

Miscellaneous Office Expenses

Proportion of Buying and Receiving Expenses

Insurance on Raw Materials and Goods in Process

Liability Insurance

Lost Time

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